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THE NEW DIRECTOR

CHANGING VIEWS OF THE BOARD'S ROLE

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AY/ERC

Founded in 1894, Arthur Young & Company has a long tradition of service to top management. Arthur Young Executive Resource Consultants is organized to advise and assist in the recruitment and selection of corporate directors, chief executives, and other senior officers.

FOREWORD

This study reports the findings of a survey of several hundred directors who had joined a corporate board within the previous 18 months. The findings present a profile of the new directors' background and experience, as well as their views on such key questions as their most important responsibilities, the board committees on which they serve, the reasons they accepted a directorship, their leading choices for independent outside director candidates, the types of company information they receive, and their involvement in long-range planning.

For this study, publicly available data were supplemented by a questionnaire asking a response to a number of significant issues facing boards of directors today. This was sent to 952 directors who had been elected to a board within the previous 18 months. Replies were received from 197 directors, or 21 percent of the target group. About half the respondents were directors of companies with more than $1 billion in annual sales and half with less than $1 billion in sales. The results of the new director survey were sent to a number of other directors, government officials, and academicians who were asked to respond to specific findings. In addition, the project directors interviewed several board members and board observers. Excerpts from the responses are included in the study, one of a series of corporate leadership surveys being conducted by Arthur Young Executive Resource Consultants.

The time and effort of the directors who responded to our questionnaire and follow-up request for comments are deeply appreciated. Among a number of Arthur Young people who contributed advice and assistance to the project, those most closely involved were:

Edwin S. Mruk, managing director of AY/ERC, who served as project co-director.

John J. Dyment, national director of planning for Arthur Young & Company, who served as project co-director.

Barry A. Liebling, Ph.D., a manager in Arthur Young Management Consulting Services, who served as technical coordinator.

Patty H. Neff, AY/ERC research specialist, who compiled the survey results and provided research support.

INTRODUCTION

CHANGING VIEWS OF THE BOARD'S ROLE

Over the last decade there has been a profound shift toward more active boards of directors with a broader oversight role as a result of SEC positions and stock exchange mandates, pressure from shareholder groups, and criticism in the business press. Corporate boards now have a much greater percentage of independent outside directors. Board committees with oversight responsibilities in specific areas have been organized, and the effort required to serve as a director has increased significantly.

With the issue of corporate governance fully in the spotlight today, top executives of public corporations are seeking ways to be responsive to criticism of corporate behavior leveled by stockholders, the media, the SEC, and the public.

In the last decade some corporations have been re-examining and reshaping the functions and composition of their boards. Some directors are exerting more active oversight of corporate affairs. They are asking that they be kept more fully informed about corporate activities.

While most observers agree that boards have emerged as a stronger force in corporate affairs, there is continuing debate about a clearer definition of their oversight role and composition.

Who does the board represent?

An important element of the debate is defining whom the board of directors represents. Traditionally and legally, of course, it has been the shareholders. There appears to be a growing perception, however, that the board has a responsibility to three groups, each of which has a stake in the success or failure of the company:

1. The shareholders
2. The employees of the company
3. The commonweal

The term "commonweal" means those various stakeholders other than employees and shareholders whose welfare may be affected by the company's decisions. These stakeholders include the company's customers, suppliers, and communities dependent on the company for jobs and tax revenues.

This concept asserts that the board should be involved in major decisions that have a long-term impact on the stakeholders. For example, the social consequences of a decision to close a plant in a community where the company is a major employer should be a matter for board approval under the concept.

An obvious problem is how to distinguish between the daily operating decisions of management and the directors' concern for the impact of decisions in long-range and strategic planning. In carrying out its responsibilities, the board must tread the narrow line between appropriate review and unwarranted involvement in day-to-day operating decisions. Such involvement can easily be resented by management and is beyond the scope of the board's responsibilities.

But under the broader view of the board's responsibilities, it would have the task of approving the CEO's long-range and strategic plans for the company. This would include setting policies to guide management in mergers and acquisitions, questioning management as to adequate R&D spending and new product development, and approving strategic plans to enter new markets.

Mark Shepherd, Jr., chairman of Texas Instruments, sums up the board's oversight responsibilities: "The board should see that a basic corporate philosophy is established, that the corporation is capable of self-renewal, that there's a mechanism for people's skills to be generated, that the corporation meets its responsibilities to all of its publics. The board should also assure moral integrity in management and make sure that management sets goals for itself—and goose management if it doesn't."[1]

To meet the responsibilities outlined by Mr. Shepherd and elsewhere in this article, directors would be helped by a structured orientation program on joining the board and ongoing information concerning long-range and strategic planning. Our survey disclosed that the majority of our new director respondents were not given early information in such important areas as status of litigation, key provisions of major capital commitments, and job descriptions of senior officers on joining their most recent board. Moreover, nearly 70 percent of the respondents said they had not been given a formal, structured orientation program as new directors. This may have delayed their effective contribution to the board's work.

Then, too, the kinds of information provided need to be examined in judging whether the board is adequately informed. Discussions with several veteran directors indicated that many companies only provide financial results with year-to-year comparisons. These directors often indicated that, to make a meaningful judgment, directors need a comparison against the CEO's projected long-range plans for results in key areas of operations.

Adequate information will lead the board to become more concerned about such key questions as:

- Are we placing too much emphasis on year-to-year profit growth to the detriment of R&D, new product development, and capital spending for new plant and equipment?
- Are we encouraging management to place enough emphasis on those activities that may mean reduced profit performance in the short term, but should return greater earnings and improve competitive position in the years ahead?

The Media Focus on Corporate Governance

The sharper focus on corporate governance of the last few years has brought more probing coverage of corporate affairs in the media. To explore how effective this coverage has been, the directors of this project questioned two leading journalists: Osborn Elliott, dean of the Columbia Graduate School of Journalism and former editor of *Newsweek*, and Keith Fuller, president of the Associated Press. Following are excerpts from the conversations:

AY: Businessmen have sometimes complained that the journalists in general do not have the knowledge and expertise to report a balanced view of business. What is your feeling on this?

Mr. Fuller: If you made that a flat statement, I would take issue with it. There are many people in the media who are totally trained in accounting, law, and business administration. They are fully capable of handling the subject. If you narrow that statement to a large segment of the daily press or the electronic media, then I think there would be some validity to that statement.

Mr. Elliott: I think over the years reporters have generally not had sufficient background and knowledge in the field of business and economics. But in recent years that has improved to some degree. We feel there is still a great deal of need for more such training, and during the past year we have instituted a new program in business and economic reporting. In addition we offer the Bagehot Fellowship program for mid-career journalists who want to specialize in business, economic, and financial reporting.

AY: Do you believe that corporations generally provide enough access to the press to allow it to present fair and balanced reporting?

Mr. Fuller: Absolutely not. I suppose it is a phenomenon of our system that the real workings of the boardroom are jealously guarded by corporations. Their idea of informing the media often is a press release that has been filtered through a dozen people, and it comes out as a sterile, uninformative lump of nothingness. On the other hand, there is a tendency among many reporters to take an adversary view of anything that business does, and that is wrong of course.

Mr. Elliott: The access varies from one corporation to another. Many chief execu-

Recruiting and rewarding directors with diverse skills, backgrounds

The evolving stronger role for the board calls for able directors who can bring to bear independent judgment. This need for independent judgment has brought an accelerating entry of outside directors—a New York Stock Exchange survey two years ago showed that nonmanagement directors composed the majority of the boards of approximately 80 percent of respondent companies.[2] The Arthur Young 1979 survey, "Organization and Compensation of Boards of Directors," found corroborating results that 83 percent of 600 publicly held companies had boards composed of a majority of nonmanagement directors.

Equally important to a balanced board is a diversity of backgrounds and skills. More companies are recruiting directors from the ranks of professionals and academicians in addition to the traditional search for CEOs of other companies.

The demand for senior executives to

tives are sophisticated in dealing with the press, but too often I think other chief executives tend to freeze at the idea of talking with reporters.

AY: What do you think that corporations can do to improve their communication with the media?

Mr. Fuller: Let me cite the example of the airlines back in the days when I was a young reporter in the late '40s and early '50s. The press used to have a terrible time getting information concerning airplane crashes. Finally through meetings with airline officials and directors we hammered out a working relationship. The airline people came to realize that the best way to get a tragedy off page one after the first day was to get the story out as fast as possible. That's a simplistic example, but it does have a lesson. We all have to recognize that corporations are made up of human beings and that sometimes things go wrong. In general, if businessmen are more forthcoming with the press, the more they will be portrayed in an understanding way rather than in sterile reporting. It would be a good thing if more business executives could get together with journalists at seminars or meetings to exchange views so that each group could have a better understanding of the world of business and of the world of journalism.

Mr. Elliott: I think that seminars of that sort can be very useful if they are not occasions where people lecture to each other. If they can be constructed in such a way that people are talking with each other then they can be productive. At Columbia, we are in the process of launching a Ford Foundation-sponsored program of seminars which will, among other things, be exploring the relationship between the news media and business.

AY: Is Main Street, U.S.A. more interested in the world of business?

Mr. Fuller: Definitely. There has not been a section of a newspaper that has grown faster in the last two decades than the business section. Business news today ranks in interest right after general news and sports. Because of this interest, publishers and editors know that they need to train and hire experts who are capable of dealing with business subjects.

Mr. Elliott: I believe that people do care about the workings of the business world and the challenge now is to write about the subject in an interesting way. Main Street, U.S.A. can be made to be even more interested if reporting is made more interesting.

serve as directors creates a dilemma for company management. It recognizes that board service is an excellent way to expose senior managers to new ideas and changing trends in the environment at large, but the time required on outside boards can be considerable. Thus many companies are beginning to limit the number of outside boards on which their senior officers can serve. Where six or seven boards were once common, now the ceiling is more likely two or three.[3] That finding is borne out by the present survey, which found a median board membership of three. More than a third of the survey respondents report that their board activities require eight to 12 hours a month.

The growing demand for CEOs to serve on other boards is exceeding the supply of these executives who are willing to spend the time and assume the broader responsibilities of added board memberships. It is reasonable to expect that many companies will begin to look more favorably on able second-echelon executives as a logical source for board directors.

Companies are also turning to the professional director as a source of board talent. The growth of this phenomenon, together with earlier vesting in corporate pension plans, has encouraged a number of high-ranking executives to retire early and carve out a second career as a director on several corporate boards.

While there has been criticism that professional directors do not keep their skills up to date after retiring from management ranks, there is a counterargument that able, energetic professionals who maintain their curiosity and interest about a wide range of issues are valuable additions to the board if their functional skills fit the board's needs.

Fortune summed up the for-and-against arguments concerning the professional director as follows: "Like any other candidate for the board, the professional director is flawed at least potentially. Because professional directorships are his only source of [currently earned] income, a weak professional director might allow his independence to be compromised by his economic reliance on the company and go along with anything. Conversely, a board made up entirely of professional directors might sound like a Greek chorus of ancient warriors, chanting admonitions and dark prophecies about every new enterprise. The conclusion to be drawn is that boards should not be composed of any *single* type of director. The more diverse the board is, the better."[4]

A board of directors with diverse backgrounds and talents can provide different perspectives across a broad spectrum of corporate functions. Such diversity can help assure those priority concerns that have been emphasized before: long-range and strategic planning in R&D, new product development, and productivity improvements.

Some critics of corporations have called for boards that have some members from various public interest groups. In responding to our survey questionnaire, one director—a woman—disagrees: "While it is very important that boards of directors become increasingly knowledgeable and responsible and, in so doing, perform a genuinely independent function, great care must be taken not to weaken that very independence by 'constituency' membership. The idea that corporate boards are like governments and should 'represent' various constituencies, such as labor, minorities, women, consumers, etc., shows a lack of understanding of the difference between the function of representative government and the function of business."

The consensus of our discussions with directors and interested observers is that the overriding criteria in judging a board candidate should be the professional competence and background that the board needs to fill an opening. Because of the growing time requirements of serving on boards and the need for diverse skills, the competition for qualified directors is becoming heated. As a result, many companies have begun looking at ways to add more benefits to their director compensation packages. Many are also upgrading direct compensation. The Arthur Young 1979 study, "Organization and Compensation of Boards of Directors," indicated that most large public companies pay their board members a combination of retainers and meeting fees. While the majority of the respondents in the current study indicated they were satisfied with their present compensation, a significant number said they were not paid enough.

Roles of board committees

The most significant change in board structure has been the growth in importance of certain committees, the most notable being the Audit Committee. The functions of the Compensation and Nominating Committees are being recognized as equally important in many companies. The Compensation Committee is becoming the key element in establishing appropriate and effective compensation programs for top management. Since the board has become more independent of management, the

Nominating Committee must also assume an independent working role. The basic responsibility of the Nominating Committee, which normally is made up of non-management directors, is to carry out a thorough search and screening process to identify candidates for board vacancies. To fulfill this responsibility, the Nominating Committee is considering the broader issues of composition and organization of the board, including committee assignments and individual board membership.

In addition, the Nominating Committee reviews candidates recommended by individual shareholders and other interested parties. Because the chief executive officer is in an excellent position to understand the personnel needs of the board, the Nominating Committee normally should work with him to develop candidate specifications for board membership.

The Nominating Committee will normally discuss potential candidates with the full board prior to discussions with the candidates themselves. This gives board members a chance to express any reservations they have about a potential candidate and precludes the possibility that the board will have to deny the nomination of a candidate who has already been asked to serve. Another important ongoing function of the Nominating Committee is to work with the Compensation Committee to review the performance of the CEO and to make the appraisal available to the full board.

In order to identify, and generate a flow of information on, possible board candidates, a number of Nominating Committees are establishing a resource system, which includes both staff members and outside consultants, to locate the most desirable board candidates.

Have the changes in the role and structure of corporate boards had an overall positive result? While there is little empirical evidence to indicate a positive result, discussions with a number of survey participants and board observers indicate that the ongoing changes have generally been effective in better corporate governance and in serving the interests of shareholders, employees, and the "commonweal." As one veteran observer of corporate boards puts it: "An atmosphere of creative tension between directors and management helps to improve the performance of both."

NOTES

[1] Lee Smith, "The Boardroom Is Becoming a Different Scene," *Fortune*, May 8, 1978, page 154.

[2] "Survey of Corporate Boards, Structure and Composition," The New York Stock Exchange, January 1979.

[3] Thomas C. Hayes, "New Look on Corporate Boards," *The New York Times*, page D-4, October 11, 1979.

[4] *Fortune*, op. cit., page 170.

The decline in productivity and the challenge which it represents, as well as our loss of important world markets, have highlighted in the eyes of many that the deterioration results from the emphasis during the last decade or so on decision-making that has been heavily oriented to the pursuit of short-term profits. This emphasis on performance measurements and rewards related to short-term payoffs, compounded by an atmosphere of excessive government regulation and ambivalent tax policies, has resulted in a decline in capital investment, productivity, and savings, allowed plant and equipment to deteriorate, and perhaps unconsciously encouraged careless workmanship and decreased quality.

There has been a broad response to these concerns which has resulted in a call for "reindustrialization" and a rebuilding of our productive might in order to regain our economic health and to recapture our position in domestic and international markets. I wish to suggest a role for the company's board of directors in addressing these problems—a role which would be appropriate in either a small or large company.

In many companies, the board or one of its committees is charged with stimulating and focusing the attention of the board and management on long-term objectives and assessing management's achievement of those objectives. But in too many places the longer-term focus becomes a casualty. This neglect is a result of failure to devote time to the task and, in many cases, a lack of confidence by management in the ability of independent directors to make a major contribution in this area. Nevertheless, the warnings of people such as Harold M. Williams and the concern of various individual directors about their responsibilities have led to a much greater focus on the participation of the board in the strategic planning process.

The pressure for greater board participation in this area is growing, and it is one in which directors can make valuable contributions. Together, senior management and the board must be sufficiently involved to know whether the appropriate long-term strategies are being pursued.

Bryan F. Smith, ***General Director***
Texas Instruments Incorporated

As a generalization applicable to some boards but not all, I believe that directors are now asking more questions and harder questions than in earlier years. Able directors want responsive answers and are willing to probe for additional information when necessary.

Ralph E. Kent, ***Retired Senior Partner***
Arthur Young & Company

While it is very important that boards of directors become increasingly knowledgeable and responsible and, in so doing, perform a genuinely independent function, great care must be taken not to weaken that very independence by the practice of "constituency" membership.

The idea that corporate boards are like governments and should "represent" the interests of various constituencies, such as labor, minorities, women, consumers, etc., shows a lack of understanding of the difference between the function of representative government and the function of business.

Lucy Wilson Benson, *President*
Benson and Associates, Inc.

Who does the board represent and what interests should it take into account? It is an area that still needs to be better defined. At the two poles, you have the traditionalist view that directors represent only the stockholders and, in many respects, the short-term interests of the stockholders. At the opposite pole you have those that say the directors should represent all the constituencies on which the corporation has an impact, whether it is customers or labor or whatever. I am somewhere in between those views. I believe that the corporation must be considered as an institution which, if it is to survive and flourish over time, can thrive only if it is viewed favorably by shareholders as well as the other constituencies with which it interacts. As such, I believe directors have to take into account the interests of labor, the communities where the company has plants, etc.—not as independent factors, but in order to make responsible decisions in the long-term interests of the company.

Harold M. Williams, *Former Chairman*
Securities and Exchange Commission

The board should be dominated by independent directors, but I feel that to properly exercise his management succession responsibilities the outside director needs a continuous exposure to senior managers and executives who are possible successors to the CEO. Close association in the give and take of good board and committee meetings certainly is one way to obtain such exposure.

R. S. Maurer
Vice Chairman
Delta Air Lines, Inc.

FINDINGS

The average age of directors—57—has changed very little in 20 years.

DIRECTOR DEMOGRAPHICS

Business and Personal Data	Median
Number of boards currently serving on	3
Number of employers in career	2
Number of executive positions held	7
Years with present employer	18
Year of birth	1924
Year of college graduation	1947

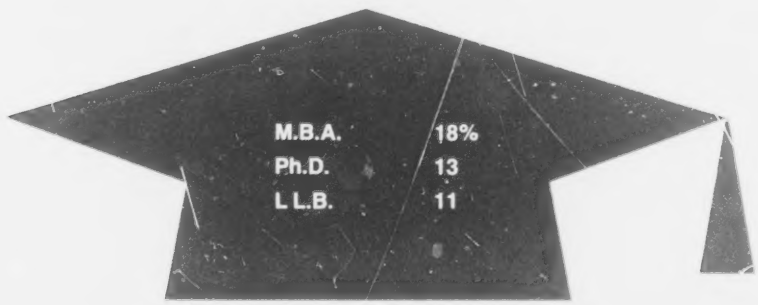
The survey found that the new director serves on an average of three corporate boards. Other findings in the median profile revealed that the directors have had only two employers in their careers, have been with their present employer for 18 years, and have served in seven executive positions. Most have moved up through the general management ranks. He or she typically was born in 1924 and graduated from college in 1947.

The average age—57—has changed very little over the last 20 years when compared to earlier surveys by the Conference Board. A 1967 study, "Corporate Directorship Practices," reported the average age of directors of 423 manufacturing companies was 58, the same as the average reported in 1961.

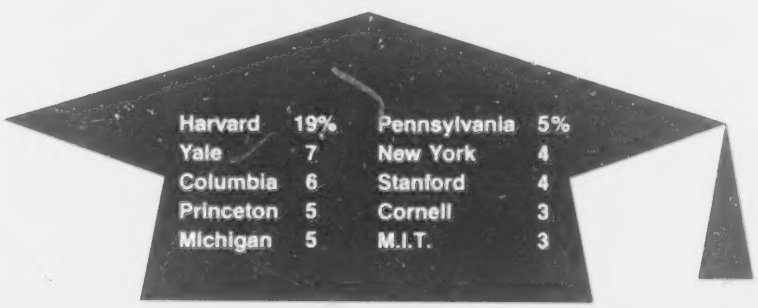
Eighteen percent of the directors surveyed hold M.B.A. degrees and 13 percent have attained a Ph.D.

As a group, the new directors are well educated, with 42 percent holding graduate degrees. Eighteen percent hold M.B.A. degrees; 13 percent, Ph.D.s; and 11 percent, LL.B.s. The Ivy League schools produced the largest number of directors, with Harvard the leader at 19 percent. The five top-ranking schools from which the directors graduated were the same as found in our 1980 survey, "The Chief Executive: Background and Attitude Profiles," except that Columbia led Princeton slightly in the current study.

ACADEMIC DEGREES



UNIVERSITIES ATTENDED (10 most frequently mentioned)



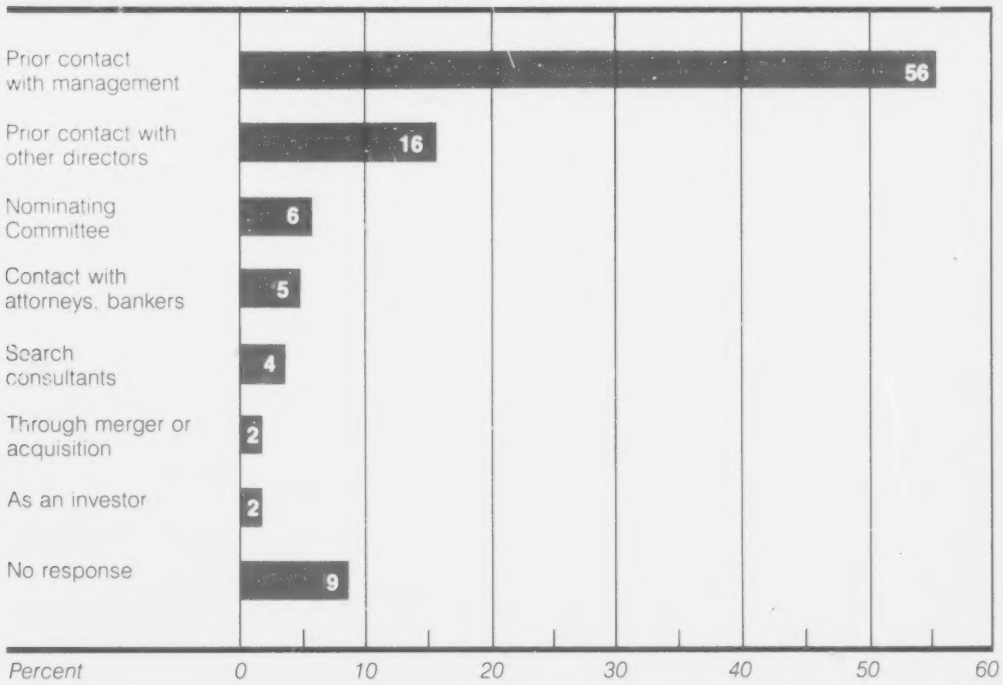
I believe that directors now perceive their roles substantially differently than they did ten years ago, when serving on most boards was a sinecure. Board members now have, for the most part, specific responsibilities, particularly on committees, and themselves feel audited by company performance and public opinion.

E. L. McNeely, *Chairman*
Wickes Companies, Inc.

Prior contact with management is still the most prevalent method of selecting board members.

Most of the new directors (56 percent) were selected for a board on the basis of prior contact with management and 16 percent were known to other directors. Only 6 percent were introduced through a board Nominating Committee. This ratio will undoubtedly increase in the next few years as more companies establish Nominating Committees (some 60 percent of companies with sales of over $2 billion now have Nominating Committees). Search consultants played a primary role in selecting 4 percent of the directors, while contacts with attorneys, bankers, and others were a factor in 5 percent of the selections.

FORM OF INTRODUCTION TO COMPANY



It is my judgment that the data reported "by prior contact with management" will change significantly in the future, unless the contact is to include indirect and informal situations. The Nominating Committee impact will undoubtedly grow from its present 6 percent level.

Lucille G. Ford, *Vice President; Dean,*
School of Business Administration/Economics, Ashland College

The reputation of the company is the major factor in attracting new directors.

The reputation of the company in the business community, and thus the prestige of serving on its board, was the major factor in attracting 47 percent of the new directors. As noted in the table on page 32, the survey respondents are selective in the boards they join—66 percent have rejected one or more offers of a directorship. It can be inferred that reduced directors' liability in serving on the board of a prestigious company was a factor in accepting a directorship. Other major reasons cited for joining a board were friendship with the company's chief executive officer, compensation, and the desire to broaden business experience.

The most important reason for going on an outside board is the ability to bring back to one's own company new ideas which can be helpful in doing one's job better. In addition to broadening their abilities and knowledge, directors are also altruistically motivated: There is considerable satisfaction in being able to contribute to an enterprise.

J. Paul Lyet, *Chairman*
Sperry Corporation

Most directors, I suspect, would say that the better the corporation does, the less significant their jobs. While the company prospers, prestige alone is probably enough reward for most directors.

J. Spencer Letts, *Of Counsel*
Hedlund, Hunter & Lynch

REASONS CITED FOR ACCEPTING DIRECTORSHIP

Prestige of company	47%
Friendship with CEO	38
Compensation	34
To broaden experience	28
Professional director	19
Represent investment interest	17
Member of management	14
Interest in the industry	10
Represent related party	3

In my two outside industrial directorships, I accepted them primarily because of admiration for the Chief Executive Officer involved and because I felt that I might be helpful to them. In the one case it is a steel company that is erecting a mill to make rail and the other is a public utility, which is being continually badgered by the ill-informed, so-called "pro-public interest groups." While prestige would play a role in my acceptance I was primarily motivated by a desire to be helpful in critical areas.

H. G. Allyn, Jr., *President*
The Pittsburgh & Lake Erie Railroad Company

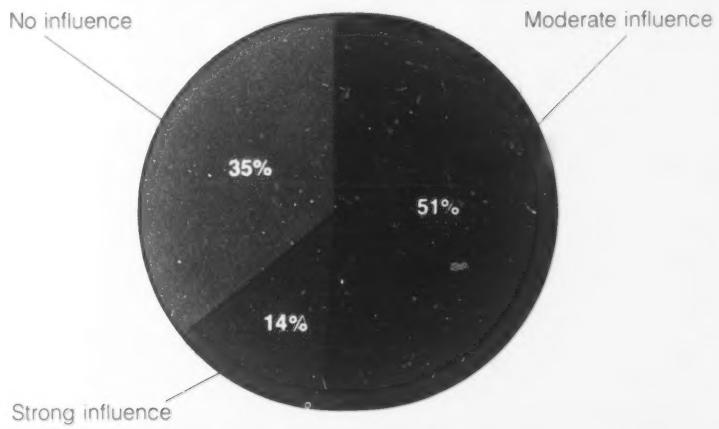
Concern for directors' legal liability was not a prime consideration for 35 percent of those accepting a directorship.

While about half the respondents said concern for directors' liability was a moderate concern in accepting their most recent directorship, 35 percent said it had no influence. The availability of adequate insurance coverage for directors and selectivity in joining only the boards of companies with good reputations make director liability a less important consideration in deciding to join a board. Probably more important to most directors is protecting their personal reputation in the business community.

"I notice that board members will raise questions which I think are motivated by their concern for their legal liability. I think all of us are being quite careful to be sure that we don't vote on an issue, for example, if there is a possibility of a conflict of interest.

Mary E. Lanigar, *Retired Partner*
Arthur Young & Company

CONCERN FOR LIABILITY IN ACCEPTING DIRECTORSHIP



It seems to me less significant what order the criteria are placed in than what criteria are considered important and which less or not at all. I would certainly agree that integrity and competence rank high, along with relevant experience, which is not separately listed but probably is an element of competence, industry background, and skill.

Richard C. Seaver, *President*, Hydril Company

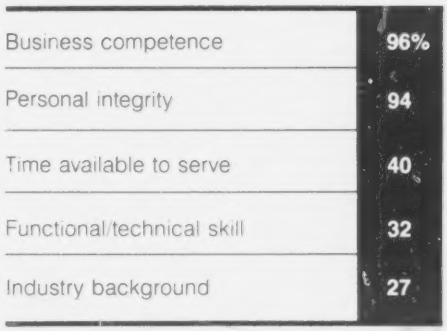
Directorships might be quite sterile if prestige and friendships were the principal reasons for accepting directorships. It would seem more logical and productive to have directors who can contribute to the corporate success through their own expertise and dedication. Even those who are directors for the purpose of representing specific investors should contribute more than their monitoring assignment.

George E. Stoddard, *Professor*
College of Agriculture, Utah State University

Personal integrity and business competence were cited as the major criteria in selecting board members.

Personal integrity and business competence ranked about equally as the major qualifications in choosing board members. Other important qualifications checked in the survey were time available to serve, functional or technical skill, and industry background.

MAIN CRITERIA CITED IN SELECTING BOARD MEMBERS



More than three-quarters of the directors believe the SEC has had a strong impact on boards.

The activist role of the SEC in recent years in its attention to how boards of directors should fulfill their function in corporate governance has had a strong impact in several areas. Our respondents mentioned the following areas as having been most affected by the SEC:

- Number of board committees has increased 75%
- Directors spend more time on board matters 72
- Composition of boards has changed 69
- Directors perceive their role differently 64
- The Audit Committee has become more active 58

I agree that SEC attention has caused important changes. Most boards function with relative independence.

Michael E. Tobin, *Chairman*
American National Bank and Trust Company of Chicago

Boards are paying attention to the questionable payment and internal control provisions of the Foreign Corrupt Practices Act. They are concerned about their responsibilities and aware of the penalties.

Ralph E. Kent, *Retired Senior Partner*
Arthur Young & Company

There is no question that SEC attention has caused more emphasis on committee work, attendance, and independent action by outside directors.

Andrew W. Mathieson, *Executive Vice President*
Richard K. Mellon and Sons

I think the SEC has had an impact on the structure and composition of boards, but I would say that much of our impact has been in a nondeterminative mode in the sense of spotlighting, focusing, and calling attention to issues and problems, and encouraging a more conscious address of them. That has been coupled with the call for additional disclosures. I look at the trends as very reassuring, including the increase in the number of outside directors and the growing number of audit and nominating committees.

Of course, when all is said and done, the key remains how boards actually behave—dynamics in the boardroom, and the effectiveness with which directors themse'ves address issues and how they structure the board on a long-term basis to enhance its effectiveness. From the feedback I get, it does appear that directors are taking their duties and liabilities much more seriously. That is manifested in a number of ways: Individuals are more discriminating in accepting board invitations; directors are asking more discriminating questions and spending more hours in directors' meetings; board committees are functioning more effectively; and more chief executives are being removed.

Harold M. Williams, *Former Chairman*
Securities and Exchange Commission

Generally speaking, the SEC attention to the duties and functions of a board has been beneficial in improving the level of discipline under which boards operate. However, SEC attention to the composition of the board has, in our opinion, been disruptive and counterproductive. We have agreed for many years that the majority of the board should be nonmanagement members. Beyond this, selection criteria should relate to demonstrated management expertise and/or breadth of experience. A candidate meeting these criteria should not be foreclosed because of any ordinary commercial relationship with the corporation.

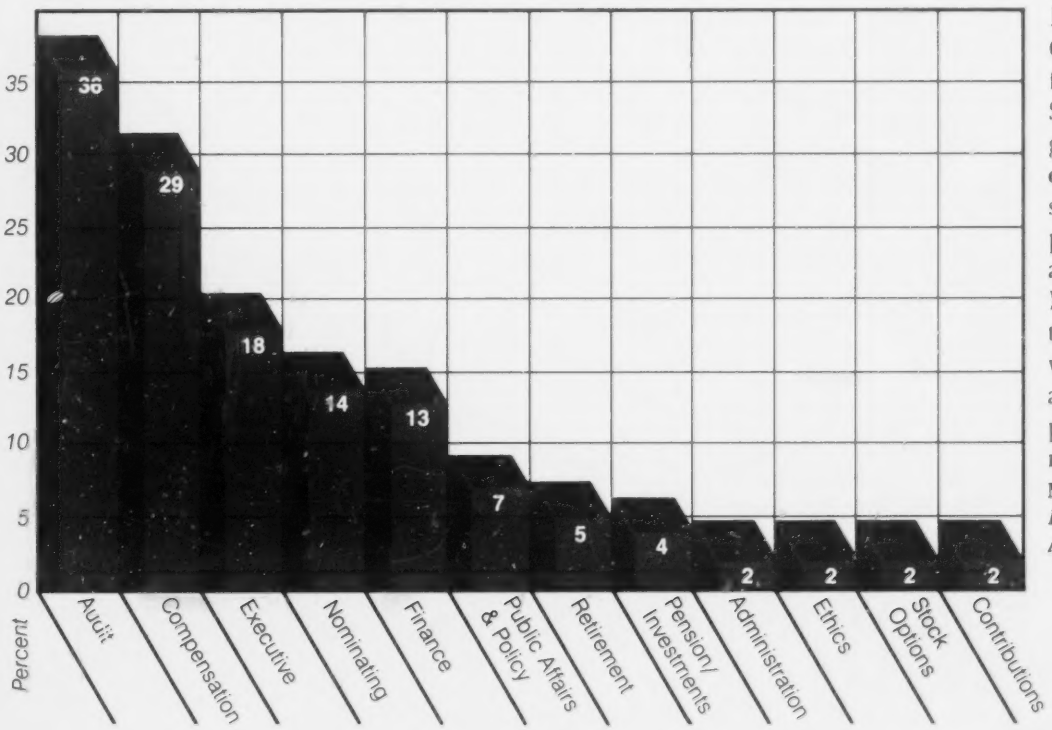
Francis P. Lucier, *Chairman*
The Black and Decker
Manufacturing Company

Most of the new directors immediately went to work on important board committees.

About two-thirds of the directors are active on the principal committees of their boards. The board committee membership rankings in the survey closely parallel the finding in our 1979 study, "Organization and Compensation of Boards of Directors," that the four leading board committees in terms of membership are Audit, Compensation, Nominating, and Executive. The current survey found that 36 percent of the directors are members of the Audit Committee; 29 percent, Compensation Committee; 18 percent, Executive Committee; and 14 percent, Nominating Committee. The Finance Committee ranks next with 13 percent, but only 2 percent of the directors reported serving on the Ethics Committee.*

*For a comprehensive discussion of the functions of board committees, see "Organization and Compensation of Boards of Directors." This study may be obtained by writing to Publications Coordinator, Arthur Young & Company, 277 Park Avenue, New York, New York 10172.

COMMITTEES ON WHICH THE DIRECTORS SERVE



Bringing Nominating Committees to the forefront, which the SEC has pushed, is going to enhance the quality of boards. I see much better people coming on boards, and I suspect that Nominating Committees have a lot to do with that. There's also a trend away from people serving on so many boards.

Mary E. Lanigar,
Retired Partner
Arthur Young & Company

Assuring the integrity of the company's operations and counseling top management are cited as prime responsibilities.

Almost two-thirds of the directors cited assuring the integrity of the company's operations as their major responsibility. The second largest proportion viewed counseling top management as the primary task of board members. More than half the respondents believed assuring the strategic plan for the future was a major responsibility. Other board responsibilities viewed as important were monitoring the performance of the CEO and assuring management succession.

PRIMARY RESPONSIBILITIES CITED BY THE DIRECTORS

Assure integrity of company's operations	60%
Counsel top management	58
Assure strategic plan for the future	55
Monitor performance of the CEO	47
Assure management succession	43
Serve the public interest	15
Monitor financial reporting	9

Besides the CEO, the board should monitor the performance of the officer at the next level who is being groomed as the CEO's possible successor. In larger companies where there may be subsidiaries as big as some New York Stock Exchange companies, the board should be evaluating the CEO of each subsidiary.

Mary E. Lanigar
Retired Partner
Arthur Young & Company

Public press reports make it clear that boards are increasingly aware of their responsibility to monitor the performance of top officers. Competent, self-assured executives welcome a fair and balanced evaluation of their performance.

Ralph E. Kent, *Retired Senior Partner*
Arthur Young & Company

Since monitoring the performance of the CEO is the primary responsibility of the board, I have indicated that it is my view that the chief executive should not be chairman, that the two roles are in conflict.

Harold M. Williams, *Former Chairman*
Securities and Exchange Commission

Compensation of top management and mergers and acquisitions rank as the board's strongest areas of influence.

The survey found that compensation of top management and mergers and acquisitions were the directors' strongest areas of influence in management decisions. The results show relatively less influence in the key areas of capital expenditures, long-range planning, and selection of senior executives. Some 70 percent of the directors indicate long-range planning as an area of moderate influence.

INFLUENCE OF BOARD ON KEY MANAGEMENT DECISIONS

	Strong	Moderate	None or Unknown
Compensation of top management	**71%**	27%	2%
Mergers and acquisitions	62	33	5
Capital expenditures	32	60	8
Selection of senior executives	22	64	**14**
Long-range planning	21	**70**	9

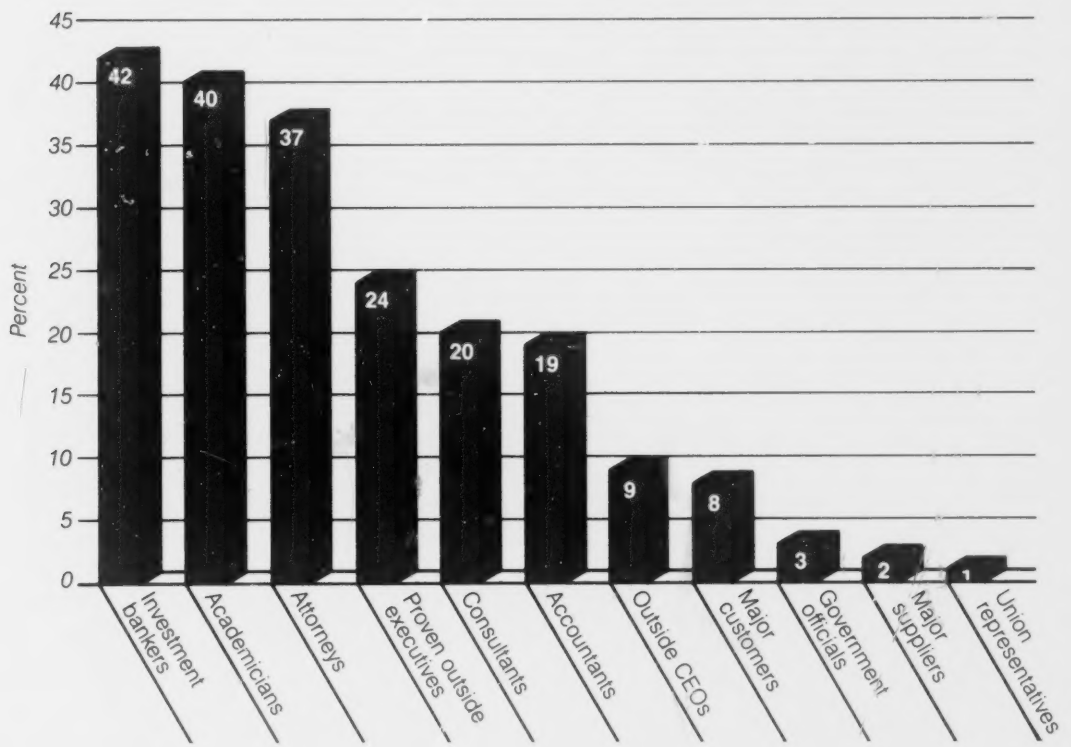
It seems to me that allocation of corporate resources should outrank management compensation in regard to board influence.

Andrew W. Mathieson
Executive Vice President
Richard K. Mellon and Sons

Most of the directors cite professionals as their leading choice for outside directors.

Investment bankers, academicians, attorneys, and proven outside executives were cited as the leading choices for nonmanagement director candidates. Consultants and accountants ranked next as potential candidates. Interestingly, while only 1 percent of the respondents cited union representatives as a likely source for outside directors, 23 percent nevertheless expected worker participation on boards in the next five years (see table on page 32).

OUTSIDERS WHO SHOULD SERVE ON BOARD



I think outsiders who should serve on the board could well include, as applicable, industrialists and consultants who have had considerable experience in turnaround situations, developing market share, and evaluating acquisition possibilities. I tend to veer away from investment bankers, major customers, and suppliers because of the possibility of conflicts of interest.

A. C. Crane, *Retired Vice President*
A. O. Smith Corporation

I think certain other inside officers should be on the board. While this might be isolated to the first financial officer, I think that is too severe a limitation and, in fact, inside directors ought to be the heads of differing operations so that they might assist in keeping the board informed on a broad basis.

R. Donald Quackenbush, *Chairman & CEO*
Benico, Inc.
(The Beneficial Insurance Group)

Having substantial outsider representation on corporate boards is an important requirement in achieving independent oversight of management. Equally important are the quality of the outsider representation and the availability of adequate time for board members to carry out their responsibilities.

Ralph E. Kent, *Retired Senior Partner*
Arthur Young & Company

I believe that public companies should have primarily external board members. They should be serious and concerned individuals who are devoted to the service of the company and should not represent special interest groups. If the management of a company has many representatives on the board, then that management will be called upon to judge its own performance.

David V. Ragone, *President*
Case Western Reserve University

The great strength of outside directors—for the stockholders whom they represent and for management which is responsible to the directors—is that they bring diverse experience and competencies to the deliberations of the total board, the demonstrated ability to question, analyze, and synthesize, and the capacity to make tough decisions when necessary.

Lucy Wilson Benson, *President*
Benson and Associates, Inc.

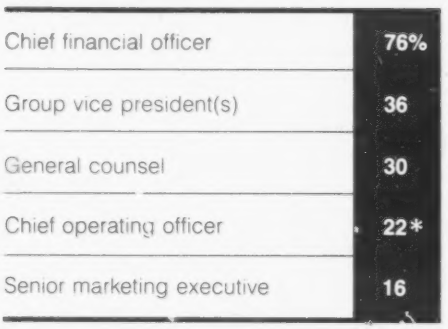
I do not believe either attorneys or consultants should serve on the board of any company if they have any direct affiliation with the affairs of that company. Partners of CPA firms are not permitted to serve in the same situation. They could be very useful additions to any board if the director's firm did not handle the corporate account.

Verne S. Atwater, *Chairman*
Central Savings Bank of New York

The chief financial officer is the first or second choice of 76 percent of the directors for a management director candidate other than the CEO.

The chief financial officer was the overwhelming choice of the new directors as a management director other than the chief executive officer. Other leading candidates were group vice presidents, general counsel, chief operating officer, and senior marketing executive.

OTHER COMPANY INSIDERS WHO ARE PREFERRED TO SERVE ON BOARD



*Conversations with directors subsequent to our survey indicated that this percentage preference would have been much higher had the chief operating officer been listed as a separate choice in the survey questionnaire.

I would prefer to have only the chief executive officer and the chief operating officer as directors. If both positions are filled by the same person, I would not designate another officer director until such time as someone has been designated as a separate chief operating officer. Inside directors are present to represent management, and more than the top two officers are usually redundant.

Daniel T. Carroll
President
Hoover Universal, Inc.

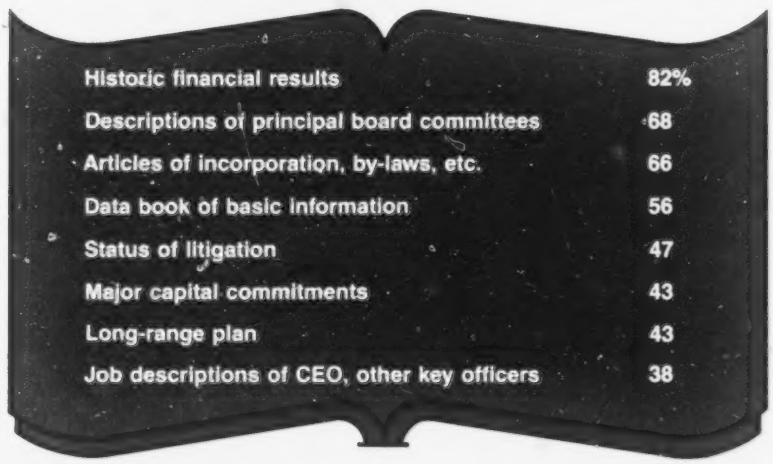
I do not think that it's a reasonable rule to limit management's participation on a board to the CEO. While I personally favor the concept of a strong, independent outside board, it seems to me that, as a practical matter, it is often appropriate to have at least the chief operating officer and perhaps some of the other senior management people on a board.

Stephen R. Hardis
Executive Vice President
Eaton Corporation

Information received on joining a board of directors focused on company finances.

Early information about the company received by the directors on joining their most recent board centered on historical financial results. Most of the new directors also received descriptions of the principal board committees, the company's articles of incorporation, and a basic company data book.

INFORMATION ABOUT COMPANY RECEIVED ON JOINING BOARD


Historic financial results 82%
Descriptions of principal board committees 68
Articles of incorporation, by-laws, etc. 66
Data book of basic information 56
Status of litigation 47
Major capital commitments 43
Long-range plan 43
Job descriptions of CEO, other key officers 38

As for information received about the company upon joining the board, the items listed in your response are quite applicable. I believe that, in addition, a corporate organization chart and commentary regarding products and plants would be most useful. Perhaps more important would be a formal, structured orientation program for new directors. This could be done within one day. New directors are not selected often enough to make the orientation program too much of a bother.

A. C. Crane, ***Retired Vice President***
A. O. Smith Corporation

It varies from one corporation to another, but I think in general there has been a lack of adequate information provided to board members and a lack of adequate briefing of new directors. It's assumed that you will ultimately get up to speed, but nobody does very much about helping one get up to speed. There is a trend to put more effort into orienting new directors, but often the information is not terribly adequate.

Mary E. Lanigar, ***Retired Partner***
Arthur Young & Company

I believe that most boards are now moving toward some formalized introduction of the new director to the company and board. In addition to the items enumerated in the survey, we try to furnish information covering:

a) Management's view of the board's role.
b) The board member's term, compensation, indemnification, etc.
c) Typical board meeting agendas.
d) Flow of information to the board from management.
e) Most current proxy statement and SEC filings.
f) Biographies of senior management.
g) The company's ethics and policy guidelines.
h) Appropriate memos on required SEC filings and responsibilities.

R. S. Maurer, ***Vice Chairman***
Delta Air Lines, Inc.

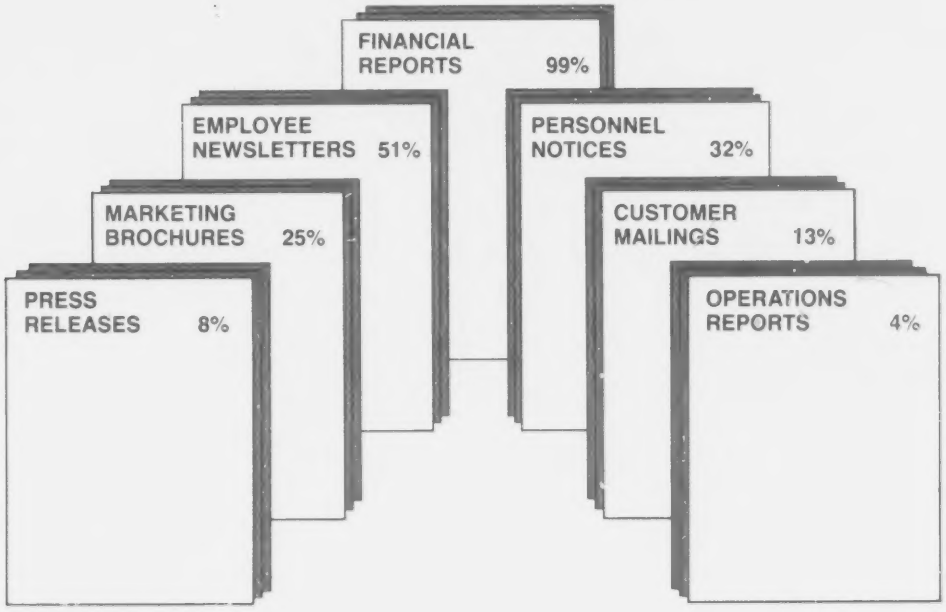
The corporations on whose boards I serve did not have any formally structured orientation program, although they did provide printed material concerning corporate background, history, etc. It seems to me that lacking in the information provided to new directors is a glossary of the terms unique to that particular business so that the director can better comprehend what is being addressed.

R. Donald Quackenbush, ***Chairman & CEO***
Benico, Inc.
(The Beneficial Insurance Group)

Financial reports are the type of information most routinely received after joining the board.

Ninety-nine percent of the directors receive financial reports relating to current operations at least once a month. Other information routinely received are employee newsletters, 51 percent; personnel notices, 32 percent; marketing brochures, 25 percent; and customer mailings, 13 percent.

INFORMATION ROUTINELY RECEIVED RELATING TO DAILY OPERATIONS

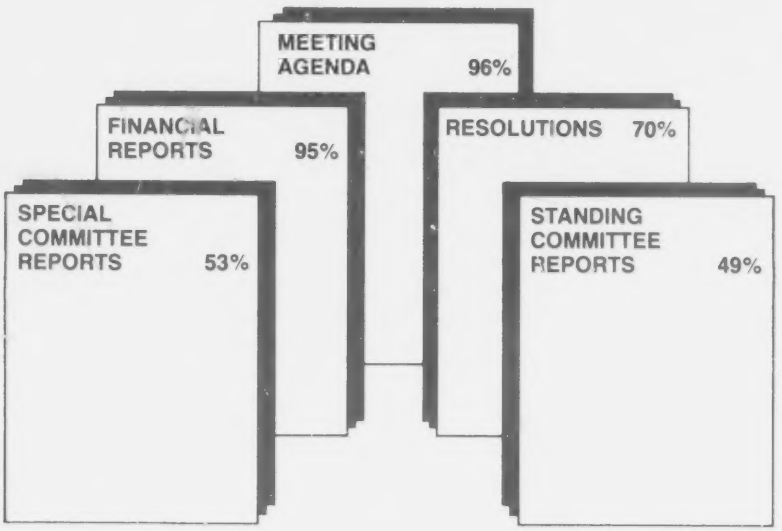


The toughest problem for any individual joining a board is to learn enough about that operation so that he can make a contribution. Perhaps the most practical solution would be to try and recruit potential members who are young enough so that, over time, they have the benefit of cumulative exposure to the corporation and a continuity of thought. All of the forms of information you describe should legitimately be made available to a potential board member, but the practical issue would also be how much of that data could a busy executive or professional be expected to meaningfully digest within a reasonable length of time.

Stephen R. Hardis
Executive Vice President
Eaton Corporation

The meeting agenda and financial reports are the leading types of information provided prior to board meetings.

INFORMATION PROVIDED PRIOR TO BOARD MEETING



Information provided to the directors prior to their board meetings appeared to be extensive. Virtually all of the directors received meeting agendas and financial reports. Most board members were provided with resolutions and special committee reports.

Data provided prior to and for a meeting is important, as well as data provided regardless of, and not specifically related to, a meeting. Only agenda and resolutions, among those listed, seem to me related to meetings, and the others should be provided when ready whether or not there is a meeting at hand.

Richard C. Seaver, *President*
Hydril Company

We recently interviewed all our outside directors as to their views on material furnished them with respect to our board meetings. We asked them how we could make our presentations more informative and this review resulted in revisions of reports and meeting format. We believe that such a review is helpful to both management and our outside directors and should be scheduled on a periodic basis.

John T. Fey, *Chairman*, The Equitable Life Assurance Society of the United States

Frequency of board meetings was considered adequate. Fifty-six percent of the directors spend over eight hours a month on board activities.

Eighty-seven percent of the new directors consider their present number of board meetings to be adequate. Thirteen percent were equally divided on whether the board should meet more, or less, frequently.

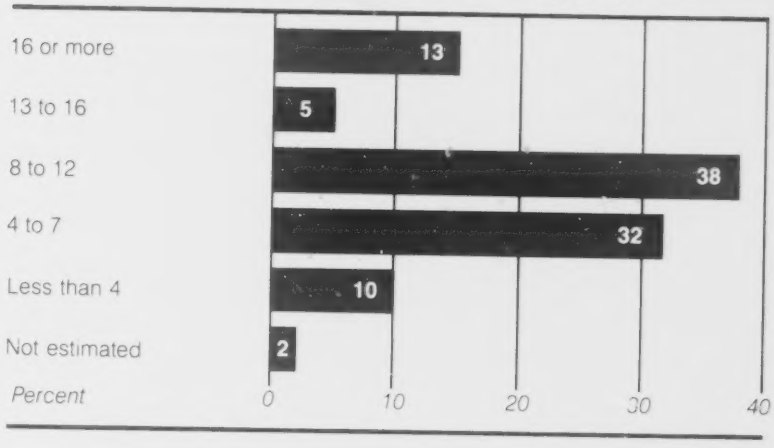
In regard to time spent on board activities, 13 percent of the directors soent 16 or more hours a month, while 10 percent spent less than four hours.

Arthur Young's 1979 survey, "Organization and Compensation of Boards of Directors," found the average number of

board meetings was from six to eight per year. The study also concluded that "one of the results of increased board responsibility has not been to increase significantly the frequency of meetings, but rather to increase use of board committees to address issues and present recommendations for full board action. Therefore, committee meetings, in effect, preempt the need for additional meetings of the full board to meet increasing responsibilities."

In fact, the frequency of full board meetings may have been reduced on an average basis. While the 1979 study found an average of six to eight full board meetings per year, the Conference Board survey in 1967, "Corporate Directorship Practices," reported that almost half of 740 companies studied had board meetings from 10 to 14 times a year.

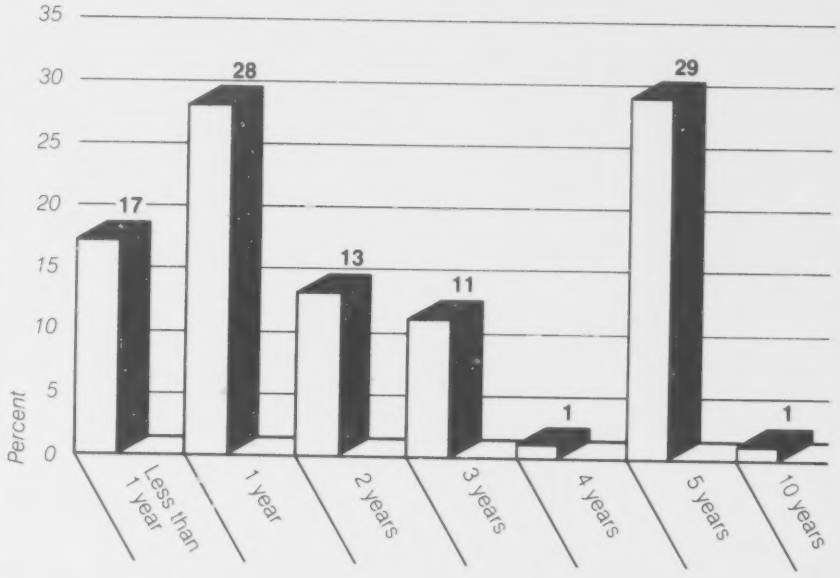
HOURS PER MONTH SPENT ON BOARD ACTIVITIES



Most of the directors are involved in their company's long-range planning.

Three-quarters of the survey respondents said they were involved in the company's long-range planning process. Almost as many (73 percent) said the board had approval authority over long-range plans. (See table on page 32.) Thirty-one percent of the directors received a projection of the company's financial position for five years or more. At the other extreme, 45 percent received financial projections of one year or less.

PROJECTION PERIOD OF COMPANY'S FINANCIAL POSITION



I think a major problem today is that boards often focus inordinately on short-term results and compensate management too much on the basis of short-term performance. I believe both measures are inappropriate because a failure by management to deliver in the short term is such a disabling condition that it causes a great deal of today's business problems. Under pressure from the board to produce short-term results, management is too often unable or unwilling to balance the short term against the long term by investing now for the future at the expense of current earnings. So in effect, you find companies mortgaging their future beyond redemption, and often unconsciously.

Harold M. Williams, *Former Chairman*
Securities and Exchange Commission

Management is often somewhat anxious to keep the board meeting relatively short and to get people out on time. Board members contribute to that because many of them are busy people with tight schedules. This means that frequently management hesitates to schedule a discussion of long-range strategy because it is subject to the time schedule of the meeting. It is not an answer that board members should accept, but I think it tends to work out that way simply because board members are seen once a month at most — frequently less often — and have a specific agenda set by management.

Long-term planning is an important issue, but I'm not sure that the board is the primary group responsible for the fact that too much emphasis is placed on short-term results. Investors in general are too concerned about the short term. That puts pressure on the board to be concerned about it. If the investment community would take a longer view and would be willing, in effect, to take reduced earnings in the short term as the natural consequence of building something for the long term, most directors would certainly be in favor of that.

Mary E. Lanigar, *Retired Partner*
Arthur Young & Company

We normally present our long-range plans to the board in annual three-day meetings which permit appropriate time for active discussion. Copies of the presentations are provided to the board following the meetings to provide for further detailed study. Performance against plan is reviewed annually with the board. Adjustments to plan and extensions of plan are presented at the same time. While specific, formal approval of the long-range plan is not requested, funding of some of the plan's elements does require board approval.

Francis P. Lucier, *Chairman*
The Black and Decker
Manufacturing Company

I think long-range plans should be approved by the board but, for the most part, this is perfunctory, partly because of the lack of understanding of the details of such plans by the board members and partly because it is time consuming to get the board involved. Perhaps it is mostly because the executives and planners of the company reckon that the board can make no more than modest contributions to their plans.

E. L. McNeely, *Chairman*
Wickes Companies, Inc.

Other Director Comments

On Worker Directors

While I agree with the majority in opposing worker participation on boards, there is a middle ground. Mead Corporation now includes seven employee members with director members on its Corporate Responsibility Committee; I predict other boards will move in this direction in the coming years.

Gordon C. Inskeep, ***Professor of Management***
College of Business Administration
Arizona State University

On Officer Directors

Although I am on the board of one company where the CEO is the only company officer on the board, I really believe membership should not be so restricted. The board is best represented by company participants when it includes the CEO, the president (if any), and the chief financial officer. In fact, I believe generally the membership could well be limited to these three and all others be outsiders.

A. C. Crane, ***Retired Vice President***
A. O. Smith Corporation

RESPONDENTS' REACTIONS TO OTHER KEY QUESTIONS IN SURVEY (Percentage answering yes)

Favor union/worker participation on boards?	6%
Anticipate worker participation in next 5 years?	23
Should CEO be only company officer on board?	10
Does board function independently of management?	57
Do new directors have a structured orientation program?	28
Are board meeting agendas appropriate in content?	93
Are board members paid enough?	72
Should directors be paid incentive bonuses tied to corporate performance?	15
Is board involved in long-range planning?	74
Are long-range plans approved by board?	73
Do you have adequate access to company staff?	92
Have you ever rejected other board directorships?	66

On Independence

A majority of our board members are outside directors: they freely give their views on the matters presented to them and, in that sense, they function independently. However, it would be more accurate to state that they complement management in arriving at a decision by giving a different insight and viewpoint.

John T. Fey, *Chairman*
The Equitable Life Assurance Society of the United States

On Compensation

Because of increasing responsibility and liabilities, a trend definitely is for more pay for directors.

A. C. Crane, *Retired Vice President*
A. O. Smith Corporation

I serve on three boards and in all instances the directors take a great deal of interest and become truly involved in attempting to assist the company. If directors are not helpful they ought to be thrown off the board. I don't think corporate performance incentives would attract them to a greater degree of involvement.

H. G. Allyn, Jr., *President*
The Pittsburgh & Lake Erie Railroad Company

I am in accord with the survey in relation to compensation tied to corporate performance. But I would question the level of retainer and/or fee structure, as so much more time and thought are required in comparison to prior years.

Richard P. Bond, *Executive Vice President*
Stauffer Chemical Company

I do not currently feel that in general board members are adequately paid, and I do not believe in any sense of the term that the survey results indicate that directors' fees are appropriate. I continue to feel, even for moderate size companies, that the company should go about determining the appropriate compensation for directors by relating it to the per diem which would be paid for consulting time for similar tasks. The results of several analyses which we have undertaken recently have indicated that a rate of approximately $1,550 a day is appropriate. The TI pattern is one which requires a substantial time commitment ranging from 30 to 75 days per year and the fee schedule has been established to provide for a rate of $1,550 per day for the first 30 days, $1,100 per day from 31 to 60 days, and $725 per day thereafter.

There is some question in my mind as to whether it is appropriate for the schedule to be established with

rates that decline with higher days of commitment. Because of the complexity of the board job, the desirability of having skilled directors fill important committee posts and thus require larger time commitments, it might be that the schedule should be determined so that a higher value rather than a lesser value be placed on the longer days of service so that an incentive feature to perform such tasks might be built into the schedule.

Again, a fee schedule which does not have any indexing features and which, thereby, would fail to keep pace with even normal inflation if it were not systematically reviewed periodically (e.g., every two years) might tend to fall behind. This result has been experienced in several companies and care must be taken to have directors fees keep pace at least on the same basis as executive salaries. During a recent survey of fees for directors and consultants in Europe, we came to a realization that fees in the United States also lag behind the European patterns. When direct comparisons were made for comparable duties, we made an upward adjustment to the TI fee schedule.

During a recent visit to Europe, I discussed this subject with several different company representatives and discovered that it is a growing practice with specific applications in several companies for directors to have participation in the profit performance of the company on a "profit-sharing" basis so that they can share in good performance by means of a formula which is not in most cases as generous as a typical employee profit-sharing formula. On the other hand, an argument could be made that such a plan might impair independence and cause the board to emphasize too strongly short-term results.

Bryan F. Smith, *General Director*
Texas Instruments Incorporated

So long as the corporation operates in the ordinary course, and is confronted only by routine management problems, the board has little real function. It merely ratifies the proposals of management and by standing sentinel may avoid some overreaching by management. It is when the problems are not routine, however, and when the management's ability to handle them is less certain, that the function of the board becomes critical. In some circumstances it is necessary for the board to enforce its collective wisdom against the desires of the management. In other circumstances it must perform surgery upon some or all of the management team.

In these circumstances the performance of the board is of the utmost importance, and the visibility and public exposure of the directors are the greatest. It is because such circumstances can arise that competent directors are needed in all corporations. This is why they must be adequately

paid, even if there is never any real call for them to perform their most vital function.

J. Spencer Letts, *Of Counsel*
Hedlund, Hunter & Lynch

On Staff Access

Access to staff calls for sensitivity and maturity on both sides. Directors have to calculate the exaggerated perceptions which their access can generate, and staff has to resist the temptation to use this access for personal advantage. Access is clearly a most demanding process at which too many on both sides bumble, stumble, or fail.

Daniel T. Carroll, *President*
Hoover Universal, Inc.

A director should have ready accesss to the staff of the company. In my case, being financially oriented, I always arrange for direct contacts with the company's financial personnel and take advantage of this relationship between board meetings. This gives me an opportunity to judge the quality of the personnel as well as a chance to obtain whatever financial information I need.

A. C. Crane, *Retired Vice President*
A. O. Smith Corporation

On Time To Serve

Personally, I feel that time is a most critical commodity for those directors who are successful. There are those who accept positions and committee assignments for personal identity, often with little achievement to their credit. Surely, achievement must be the purpose of corporations, their management, and their boards of directors.

George E. Stoddard, *Professor*
College of Agriculture
Utah State University

I believe that most people who are truly qualified to serve as corporate directors receive more invitations than they are able to accept.

J. Paul Lyet, *Chairman*
Sperry Corporation

CONCLUSIONS

In an era of increasing responsibility of boards of directors in corporate governance, the survey group as a whole appears well qualified for the task. It is a well educated group with many of the respondents holding advanced degrees. The median profile indicated maturity, with an average age of 57, and wide experience in executive positions and other board memberships.

The survey confirmed the growing importance of three board committees: Audit, Compensation, and Nominating. These three committees have been found in other studies to have the largest proportion of nonmanagement directors. The three ranked among the highest in terms of committee memberships cited by the survey respondents.

The survey produced some surprises. Although their responsibilities are increasing, many of the directors reported receiving relatively little information from management on joining the board in some key areas, such as long-range planning. Moreover, long-range and strategic planning were ranked low in board influence on management and as a choice for the primary responsibility of the board.

Only 28 percent of the new directors reported having a structured orientation program on joining their most recent board. To function effectively, it would appear that all new directors need a thorough orientation program. It also seems surprising in the light of developments in the last few years that only 57 percent of the respondents said that they function independently of management.

Most of the directors take into account the strong impact in recent years of the SEC's attention to the role of boards of directors in corporate governance. Some three-quarters of the survey respondents noted that the number of board committees has increased, the Audit Committee has become more active, the composition of

boards has changed, and more time is spent on board matters. More than half of the new directors reported spending at least eight hours per month on board matters.

Although the legal liabilities of corporate directors have received much attention in recent years and there have been several well publicized legal actions brought against boards, 35 percent of the respondents said the liability issue was not a concern in accepting their most recent directorship. However, the directors appeared to be highly selective in accepting directorships: many cited company prestige as the prime factor in the acceptance and two-thirds reported having rejected a previous board membership.

The chief financial officer is the overwhelming choice of the directors for a management member of the board other than the CEO. When asked to rank nonmanagement choices, the respondents preferred such professionals as attorneys, accountants, consultants, and investment bankers. Academicians also ranked as a leading choice.

The increasing time and effort required to serve on boards are reducing the number of boards on which many business leaders can serve, especially chief executive officers. Where six to seven board memberships were once common, now the ceiling is more likely two or three.

Thus, with the competition becoming heated for qualified top-executive nonmanagement directors, companies may have to seek this talent from the ranks of the many able second-tier executives who are available to serve on boards.

Finally, to attract and hold top-flight directors, many companies are re-examining their director compensation packages to provide more benefits and direct income.

The Directors

We are grateful to the following directors who provided comments on various aspects of the role of boards of directors. Their current company board memberships are listed after their names.

H.G. Allyn, Jr.: PLECO Inc., Pittsburgh & Lake Erie Railroad Company; Duquesne Light Company; Wheeling Pittsburgh Steel Corporation

Verne S. Atwater: Central Savings Bank of New York; Grolier, Incorporated; Institutional Group Information Corporation; Institutional Investors Mutual Fund, Inc.

Lucy Wilson Benson: The Continental Group, Inc.; Dreyfus Third Century Fund; Grumman Corporation; Science Applications, Inc.

Richard P. Bond: Stauffer Chemical Company; Emery Air Freight Corporation; Interpace Corporation

Daniel T. Carroll: Combined International Corporation; Conrac Corporation; Diebold Inc.; Hoover Universal, Inc.; National Bank & Trust Company of Ann Arbor; Van Straaten Chemical Company; Wolverine World Wide, Inc.

Allan C. Crane: Wisconsin Plating and Grinding, Inc.; Ken Cook Transnational

John T. Fey: The Equitable Life Assurance Society of the United States; Certainteed Corporation; Consolidated Foods Corporation

Lucille G. Ford: Ohio Edison Company; National City Corporation; National City Bank; Shelby Mutual Insurance Company

Stephen R. Hardis: Schlegel Corporation; Centron Corporation

Ralph E. Kent: Penn Central Corporation; Pathfinder Mines Corporation

Mary E. Lanigar: Lucky Stores, Inc.; Castle & Cooke, Inc.; The Pacific Lumber Company; Transamerica Corporation; Wells Fargo & Company

J. Spencer Letts: Semtech Corporation

Francis P. Lucier: The Black and Decker Manufacturing Company; Maryland National Corporation; PHH Group Inc.; SmithKline Corporation

J. Paul Lyet: Sperry Corporation; Eastman Kodak Company; Armstrong World Industries, Inc.; NL Industries, Inc.; The Continental Group, Inc.

Andrew W. Mathieson: General Reinsurance Corporation; Koppers Company Incorporated; Mellon National Corporation

R.S. Maurer: Delta Air Lines, Inc.

E.L. McNeely: Wickes Companies, Inc.; Federal-Mogul Corporation; Dayco Corporation; Pacific Telephone & Telegraph Company; Transamerica Corporation

R. Donald Quackenbush: Benico, Inc.; American Centennial Insurance Company; The Central National Life Insurance Company of Omaha; Northwestern Security Life Insurance Company; Beneficial International Insurance Company, Limited; Consolidated Marine & General Insurance Company, Ltd.; Western National Life Insurance Company; Beneficial Corporation

David V. Ragone: Augat Inc.; Cleveland Cliffs Iron Company; National City Corporation

Richard C. Seaver: Hydril Company; Republic Corporation; De Anza Land & Leisure Corporation

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